



ANNUAL BUDGET OF
**MAKHUDUTHAMAGA LOCAL
MUNICIPALITY**

2011/12 TO 2013/14
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

NB. Copies of this document can be viewed:

- **At the reception of our municipal buildings**
- **All public libraries of the municipality**
- **At www.makhuduthamaga.gov.za**

Abbreviations and Acronyms

BPC	Budget Planning Committee		
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity	NGO	Non-Governmental organisations
FBS	Free basic services	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	OHS	Occupational Health and Safety
GRAP	General Recognised Accounting Practice	OP	Operational Plan
HR	Human Resources	PMS	Performance Management System
IDP	Integrated Development Strategy	PPE	Property Plant and Equipment
IT	Information Technology	PPP	Public Private Partnership
km	kilometre	RG	Restructuring Grant
KPA	Key Performance Area	SALGA	South African Local Government Association
KPI	Key Performance Indicator	SDBIP	Service Delivery Budget Implementation Plan
LED	Local Economic Development	SMME	Small Micro and Medium Enterprises
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

1.1 Executive Summary

- Makhuduthamaga Local Municipality prepared the Draft budget for 2011/2012 based on the municipal budget and reporting regulations Government Gazette No: 32141 dated 17 April, 2009 and in accordance with section 16 of the municipal Finance Management Act (MFMA). The Draft budget and supporting documentation are consistent with the Draft Integrated Development Plan of the municipality.
- **MUNICIPAL FINANCE MANAGEMENT ACT**
 - The preparation and approval of the Draft Budget is regulated by section 16 of the MFMA, which states as follows:
 - (1). The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
 - (2). In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
 - (3). Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.
- National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2011/12 MTREF.
- The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:
 - The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and cash position of the municipality;
- The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:
 - The budget was prepared on a zero base principle and some of the operational expenses such as advertising, some contracted services and fuel expenses were prepared on an incremental base.

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;. For the next financial year, tariffs and property rates have not been increased.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

➤ **DRAFT BUDGET SUMMARY 2011/2012**

• **REVENUE**

- Our total revenue for the 2011/2012 amount to R 216,288 million. For 2012/2013 and 2013/2014 the total revenue amount to R 240,404 Million and R 256,235 Million respectively.
- The total revenue for 2010/2011 was R 193,023 Million compared to the total revenue for 2011/2012 which amount to R 216,288 million; we therefore have an increase of 12.05% in the 2011/2012 budget.
- Our total revenue for 2011/2012 is from the following sources as indicated below:

Source of Revenue	Amount	%
National Grants (E/S, MIG, FMG,MSIG, DOE)	R 170,248,000.00	78.71
Own Income	R 46,040,916.00	21.29
Total	R 216,288,916.00	100

• **TOTAL EXPENDITURE**

- The total expenditure for 2011/2012 amounts to R 216,118 Million. For 2012/2013 and 2013/2014, the total expenditure amounts to R 240,271 Million and R 255,948 Million respectively.
- The total expenditure for 2010/2011 was R 192,787 Million, compared to the total expenditure for 2011/2012 which amounts to R 216,118 Million; we therefore have an increase of **12.10%** in our total expenditure budget for 2011/2012.
- The total expenditure for 2011/2012 include a total Operational expenditure of R 117,418 Million and total Capital Expenditure of R 98,700 Million.
- Operational expenditure amounts to **54.33%** of the total budget and Capital expenditure is **45.67%**.
- **Our total Operational expenditure for 2011/2012 is structured as follows:**

Description	Budget 2011/2012	% on total Budget
Salaries, Wages and Councilor Allowances	R 53,717,019.00	24.86%
General Expenses	R 59,501,385.79	27.53%
Repairs and Maintenance	R 4,200,000.00	1.94%
Total	R 117,418,404.93	54.33%

- **Our total Capital expenditure is structured as follows:**

Description	Budget 2011/2012	% on total budget
Infrastructure Assets: Roads and Bridges	R 64,550,100.00	29.87%

Infrastructure Assets: Electricity	R 26,800,000.00	12.40%
Community Assets: Parks and Cemeteries	R 1500,000.00	0.69%
Other Capital	R 5,850,000.00	2.71%
Total	R 98,700,100.00	45.67%

- **N.B** The detailed workings are attached.

➤ **FINANCIAL VIABILITY AND MANAGEMENT**

- **GRANTS AND SUBSIDIES FOR 2010/2011 and 2011/2012**

- Makhuduthamaga Local Municipality received the following grants for 2010/2011 and will receive the amount as indicated below for 2011/2012 as per Division of Revenue Act (DORA)

CONDITIONAL GRANTS

NAME OF GRANT	AMOUNT 2010/2011	Amount 2011/2012	% Increase
Municipal Infrastructure Grant (MIG)	R 28,401, 000.00	R 34,159,000.00	20.27%
DOE	R 5,000,000.00	R 7,500,000.00	50.00%
Financial Management Grant (FMG)	R 1 500 000.00	R 1,500.000.00	0.00%
Municipal Systems Improvement Grant (MSIG)	R 750 000.00	R 750,000.00	0.00%

OTHER GRANTS

NAME OF GRANT	AMOUNT	Amount	% Increase
	2010/2011	2011/2012	
Equitable Shares (ES)	R 111,894,000.00	126,339,000.00	12.91%

• REVENUE ENHANCEMENT STRATEGY

The MLM has adopted the Revenue Enhancement Strategy .The strategy is intended to enhance the revenue base of MLM. It is in alignment with the General Finance policy. The Municipality has started billing for property rates (only Businesses and sector departments) as from July 2009.

• BUDGET POLICY

Makhuduthamaga municipality has a budget policy in place and is intended to set out the budgeting principles which the municipality will follow in preparing each annual budget and adjustment budget, as well as the responsibilities of the chief financial officer in compiling such budget.

• CREDIT CONTROL AND DEBT MANAGEMENT

The Credit Control and Debt Management Policy of Makhuduthamaga Local Municipality was adopted in recognition of the constitutional obligations to develop the local economy and to provide acceptable service to the communities. The constitutional obligations cannot and will never be realized unless there are payments of services. The municipality has started billing for property rates as from July 2009.

• FINANCIAL MANAGEMENT PLAN

The Municipality has the 3year's Financial Plan that is aligned to the Medium Term Expenditure Framework. The plan caters for the income, revenue and expenditure for the year under review.

• SUPPLY CHAIN MANAGEMENT POLICY

The MLM has developed and adopted Supply Chain Management Policy in 2008. It provides policy guidelines as and when the MLM procures goods or services, disposes goods no longer needed, selects contractors to provide assistance in the provision of

municipal services otherwise than in Chapter 8 of the MSA applies. There is also a procedure manual that outlines how SCM policy should be implemented.

1.2 Draft Annual Budget Tables Explanations – Makhuduthamaga Local Municipality

The following pages present the explanation the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council

1.2.1. Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the next three years (MTREF)
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds is financed from a combination of the current operating surplus.

1.2.2. Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

1.3.3. Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

2. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

1.3.4 Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R174 Million for 2011/12 and escalates to R204 Million by 2013/14. This represents a year-on-year increase of 9.59 per cent for the 2012/13 financial year and 7.08 per cent for the 2013/14 financial year.
2. Revenue to be generated from property rates is R25 Million in the 2011/12 financial year which amounts to 14.32 per cent of the total operational revenue.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 11.23 per cent and 10.38 per cent for the two outer years.
4. The total operational expenditure amounts to R 117 million for 2011/2012 and escalate to R 135 million by 2013/2014.

1.3.5 Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R98 million for the 2011/12 financial year and remains relatively constant over the MTREF at levels of R118 million and R136 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, equitable share and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R41million and escalates to R51million by 2013/14.

1.3.6 Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget

and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

1.3.7 Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2011/12 MTREF provide for a net increase of R170,000.00 and a net decrease in cash of R 14million and R16million for the 2012/13 and 2013/14 financial year respectively resulting in an overall projected negative cash

1.3.8 Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality meets both these recommendations.

1.2.10 Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality continues to make good progress with the eradication of backlogs:

3. It is anticipated that the Free Basic Services will cost the municipality R3 million in 2011/12, increasing to R5 million in 2013/14. This is covered by the municipality's equitable share allocation from national government.

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 27 August 2010.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels

- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 17 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and community libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process from 18 to 19 April 2011, and will include four public briefing sessions. The applicable dates and venues were published in the municipal notice boards municipal libraries and circulated to all municipal wards through the councillors.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated

development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipal strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide electricity;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide municipal planning services; and
 - o Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the municipality;
 - o Ensuring planning processes function in accordance with set timeframes;
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - o Effective implementation of the Indigent Policy;
 - o Working with the provincial department of health to provide primary health care services;
 - o Extending waste removal services and ensuring effective city cleansing;
 - o Working with strategic partners such as SAPS to address crime;
 - o Ensuring safe working environments by effective enforcement of building and health regulations;
 - o Promote viable, sustainable communities through proper zoning; and
 - o Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - o Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - o Optimising effective community participation in the ward committee system; and
 - o Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - o Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - o Reviewing the use of contracted services

- o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - o Review of the organizational structure to optimize the use of personnel;